

****CHANGE OF PUBLIC HEARING DATE****



REVISED NOTICE OF PUBLIC HEARING ON PROPOSED INCREASES TO WASTEWATER RATES

Location: Vacaville City Council Chambers
650 Merchant St., Vacaville, CA
Date and Time: May 11, 2010, at 7:00 p.m.

On May 11, 2010, at 7:00 p.m., or as soon thereafter as the matter may be heard, the Vacaville City Council will hold a public hearing to accept public input and testimony on proposed wastewater rate increases. Any interested person may present verbal or written input to the City Council on the proposed increases. California law prohibits the City from implementing the wastewater rate increases if a majority of the affected property owners and/or tenants file written protests opposing the proposed increases. Only one written protest per parcel, filed by an owner or a tenant of the parcel shall be counted in calculating the majority protest.

A written protest to the proposed increases may be filed either through the United States mail or hand delivered to the City Clerk, and must be received (not postmarked) prior to the close of the public hearing. The City Clerk's address is: 650 Merchant Street, Vacaville, CA 95688. The written protest must include: (1) property identification either by street address or Assessor's Parcel Number (included on the mailing label of this notice if you are the property owner); (2) a statement that you are protesting the wastewater rate increases; and (3) the name and signature of the property owner of record or the name and signature of a tenant at the service address. As a means to determine protest vote validity, the City Clerk may require written evidence of residency for tenants such as a utility service bill copy showing name and property address.

If, at the conclusion of the public hearing, a majority protest does not exist, the City Council will consider adoption of the proposed wastewater rate increases effective with the billing of May 15, 2010.

If you own multiple properties you may have received more than one copy of this notice.

FREQUENTLY ASKED QUESTIONS

Why am I receiving a revised notice and what if I've already filed a written protest?

City staff recently became aware of a change in State law regarding the rights of tenants to file a written protest to the proposed increases. This notice is intended to clarify such tenants' right to protest, although by law, only one written protest per parcel, filed by either the owner or tenant of a property, will be counted.

If you have already filed a written protest to the proposed increase as described in this notice, you do not need to refile. These protests will be carried over to the May 11, 2010, hearing and then counted. Other property owners and tenants will be allowed to file a written protest any time prior to the end of the May 11, 2010, hearing.

Why are increases to wastewater rates being proposed?

The City of Vacaville owns and operates the Easterly Wastewater Treatment Plant, which is operated under a permit issued by the State of California. In April 2008, a new permit was issued that requires advanced treatment including nitrate reduction and filtration (tertiary treatment). These advanced treatment mandates will require major improvements to the plant's processing equipment. In April 2009, City staff presented several tertiary treatment options to City Council to meet these State requirements. City Council selected a plant improvement plan, called the "Tertiary Project," with an estimated cost of \$150 million and directed staff to proceed with the project.

In order to meet the State-ordered timeline to begin the advanced treatment, design on the project is underway. To finance the project, the City will work to obtain a low-interest State Revolving Fund loan of approximately \$120 million. The City's Utilities Department is in the application process at this time. If the City is not successful in obtaining the loan, the City will need to issue a bond to raise the necessary financial capital. Under either method (loan or bond) a wastewater rate increase is needed now to qualify for the financing and to provide the upfront costs of designing the plant improvements. The increased annual operations and maintenance expenses are estimated at approximately \$13 million per year, which includes debt repayment, a utility users tax (approved by voters in 2006) applied to the City's general fund, additional plant operations, and increased staffing to meet the State mandates.

The proposed wastewater rate increases were developed based upon engineer's project cost estimates and projected Operations & Maintenance (O&M) costs, using prior year's O&M cost information. The rate schedule was developed to provide adequate funding under the time table required to complete the project. A copy of the *Engineer's Report on Wastewater Rates* and a project schedule may be viewed on the City of Vacaville website at www.cityofvacaville.com.

FREQUENTLY ASKED QUESTIONS (continued from Page 1)

Has anything been done to modify these State requirements or to consider less costly treatment options?

Yes. Since receiving a 2001 operating permit from the State, and continuing to date, the City has filed appeals to the State Board, lobbied at State and Federal levels, and ultimately filed suit against the State for unnecessary and excessive conditions and requirements. Activities, to date, have netted the City more than \$35 million in savings. Despite these efforts, judges have ordered that the City must meet the permit requirements and construct the plant improvements to avoid heavy penalties. Numerous alternatives have been reviewed to avoid the improvements; however, these alternatives have proven to be too costly.

What happens if the City does not meet the State-mandated treatment requirements?

Failure to meet the new treatment standards opens the City to fines that include:

- Mandatory minimum fines of up to \$3,000 per day;
- Fines up to \$10 per gallon for treated wastewater discharged per day multiplied by 9.5 million gallons per day;
- Fines equaling the avoided project cost (up to \$150 million) by the State, and;
- Civil penalties and attorney fees from third-party litigants.

What do my wastewater rates pay for?

Revenues received from ratepayers directly pay for operations and maintenance expenses, construction for improvements, and upgrades and project costs for the system. The City derives no profit, as provided by law. Operational expenses include those for treatment, wastewater collection, and disposal. Also included are ongoing capital improvement project costs. Capital improvements include repairs, replacement facilities and equipment to improve the safety, efficiency, and reliability of the wastewater systems, as well as projects required to meet State regulatory treatment mandates, such as the Tertiary Project.

How much of the Tertiary Project is paid for by new development?

The Tertiary Project financing plan includes provisions that new development (that is required to pay sewer impact fees as a condition of approval) is responsible for a fair share of the Project. However, due to the current economic slow down, funds from new development are very low. Currently, loans or bonds will only be issued if the City can show complete payback through O&M rates. To the extent that development occurs in the future, funds received will be applied to the Tertiary Project. This should cause a decrease in rates to ratepayers once a reserve fund is established.

How is my bill for wastewater services calculated and how much does the average household pay for services?

For residential customers, it is cost prohibitive to measure precisely the amount of wastewater (sewer discharge) from a household, therefore your winter water use is used to calculate your wastewater bill. Water consumption is less in the winter because of reduced outdoor watering. Instead of a flat rate, your wastewater bill has two components: a fixed service charge and a variable component based on each customer's winter water use. This dual rate structure is more equitable than a flat rate since it reflects a household's actual sewer system use. Therefore, a family of 2 will likely pay less than a family of 4.

During the winter, an average residential wastewater customer uses 8.5 units of water per month and currently pays \$35.09 monthly. If the proposed rates are adopted, the average residential customer would pay \$63.75 by 2014 (Table 1), which is a cumulative increase of 82% over 5 years.

Do commercial and industrial customers pay their fair share?

Yes. All customers must pay their fair and equitable share for wastewater services, without any subsidies. Certain commercial and industrial customers discharge a high-strength wastewater flow and are charged a proportionately higher rate. The base unit of measurement is a residential household which has a wastewater strength factor of 1.0, and is called an Equivalent Sewer Unit (ESU). Higher strength users are a multiple of this ESU and are assigned a higher strength factor and equivalent rate as shown in Table 1.

How do Vacaville's utility rates for both water and wastewater compare with local communities?

On a combined basis, Vacaville's current average monthly water and wastewater bills are 23% lower than the average of neighboring communities. If the proposed rates are adopted, Vacaville's combined average rate will be close to the projected average of these communities by 2014. The bar graph (Table 2) on the back page compares the combined current average residential rates for Vacaville and four local communities and the projected rates in 2014.

Where can I get more information?

Copies of this notice and related information can be obtained from the City's website at www.cityofvacaville.com or by calling the City Utilities Department at (707) 469-6400.

Proposed Operations & Maintenance (O&M) Wastewater Rates

Table 1 shows wastewater O&M rates proposed for the next five years, which results in a cumulative increase of 82%. Wastewater charges, depending on customer classification, are based on metered water flows with measurements in hundred cubic feet (hcf). One hcf equals 748 gallons. Certain commercial and industrial users discharge wastewater with a higher waste concentration called "strength factor" (SF) requiring greater treatment than residential users and are therefore charged at a higher rate.

A previously-approved rate adjustment of 3.5% took place on March 1, 2010. The proposed rates below incorporate the previously-approved annual adjustments of 3.5% per year until 2014 and reflect the total O&M amounts. If adopted, these rates will remain unchanged after March 1, 2014, unless subsequently revised by the City Council in the manner prescribed by law. Wastewater bills are calculated on a bi-monthly basis (rates below are shown monthly for informational purposes) and are sent in a combined water/sewer bill every other month.

Table 1. Proposed Monthly Wastewater Rates												
User group (SF = Strength Factor)	Current effective March 1, 2010		May 15, 2010		March 1, 2011		March 1, 2012		March 1, 2013		March 1, 2014	
	Fixed Rate	Variable Rate per hcf	Fixed Rate	Variable Rate per hcf	Fixed Rate	Variable Rate per hcf	Fixed Rate	Variable Rate per hcf	Fixed Rate	Variable Rate per hcf	Fixed Rate	Variable Rate per hcf
Single-family	\$ 31.19	\$ 0.46	\$ 34.65	\$ 0.51	\$ 39.85	\$ 0.59	\$ 45.82	\$ 0.67	\$ 52.70	\$ 0.78	\$ 56.61	\$ 0.84
Condominiums	31.19	0.46	34.65	0.51	39.85	0.59	45.82	0.67	52.70	0.78	56.61	0.84
Apartments	31.19	0.46	34.65	0.51	39.85	0.59	45.82	0.67	52.70	0.78	56.61	0.84
Multiple dwellings	31.19	0.46	34.65	0.51	39.85	0.59	45.82	0.67	52.70	0.78	56.61	0.84
Mobile houses	31.19	0.46	34.65	0.51	39.85	0.59	45.82	0.67	52.70	0.78	56.61	0.84
Rooming houses	31.19	0.46	34.65	0.51	39.85	0.59	45.82	0.67	52.70	0.78	56.61	0.84
Single-family outside City	35.09		38.99		44.84		51.56		59.30		63.75	
Elmira Single-family	35.09		38.99		44.84		51.56		59.30		63.75	
Office/retail		2.71		3.00		3.46		3.97		4.57		4.91
Hotels & Motels	35.09		38.99		44.84		51.56		59.30		63.75	
Per additional Hotel/Motel room	22.46		24.95		28.70		33.00		37.95		40.80	
Mixed uses		2.71		3.00		3.46		3.97		4.57		4.91
Halls/churches		2.71		3.00		3.46		3.97		4.57		4.91
Other - General Commercial		2.71		3.00		3.46		3.97		4.57		4.91
Specific Commercial-eg., Rec Ctrs	35.09		38.99		44.84		51.56		59.30		63.75	
Restaurants - sitdown (SF=2.7)		7.29		8.10		9.34		10.72		12.34		13.26
Restaurants/bakeries - takeout		7.29		8.10		9.34		10.72		12.34		13.26
Automotive service/carwashes		2.71		3.00		3.46		3.97		4.57		4.91
Wastehaulers per 1,000 gallons												
Septic tank waste		113.69		126.33		145.28		167.05		192.13		206.55
Holding tank waste		25.26		28.07		32.28		37.12		42.70		45.90
Mortuaries (SF=2.7)		7.29		8.10		9.34		10.72		12.34		13.26
Hotel/motel w/restaurant (SF=2.0)		5.40		6.00		6.92		7.94		9.14		9.82
Mixed uses w/restaurant (SF=2.0)		5.40		6.00		6.92		7.94		9.14		9.82
Laundromats		2.71		3.00		3.46		3.97		4.57		4.91
Medical/dental		2.71		3.00		3.46		3.97		4.57		4.91
Other w/pretreatment		2.71		3.00		3.46		3.97		4.57		4.91
Markets w/garbage disposal (2.7)		7.29		8.10		9.34		10.72		12.34		13.26
Mixed other - car wash w/recycle		2.71		3.00		3.46		3.97		4.57		4.91
General industrial		2.71		3.00		3.46		3.97		4.57		4.91
Specific industrial	35.09		38.99		44.84		51.56		59.30		63.75	
Schools		2.71		3.00		3.46		3.97		4.57		4.91
City facilities		2.71		3.00		3.46		3.97		4.57		4.91
Other public agencies		2.71		3.00		3.46		3.97		4.57		4.91
CDC Correctional Facility-per EDU	35.09		38.99		44.84		51.56		59.30		63.75	